

PETER C. HARVEY
ATTORNEY GENERAL OF NEW JERSEY

BOARD OF ACCOUNTANCY

CERTIFIED TRUE COPY

AUGUST 20, 2003

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FILED

STATE OF NEW JERSEY
DEPARTMENT OF LAW & PUBLIC SAFETY
DIVISION OF CONSUMER AFFAIRS
STATE BOARD OF ACCOUNTANCY

IN THE MATTER OF THE SUSPENSION :
OR REVOCATION OF THE LICENSE OF :
:
MICHAEL D. WATSON, CPA :
SALLIE D. FELDMAN, CPA :
:
TO PRACTICE ACCOUNTANCY IN THE :
STATE OF NEW JERSEY :
:

Administrative Action

CONSENT ORDER

This matter was opened to the New Jersey Board of Accountancy by receipt of information from Michael Watson regarding an action by the Securities and Exchange Commission. In anticipation of the institution of proceedings by the Commission, Respondents Michael D. Watson, CPA and Sallie D. Feldman, CPA submitted offers of settlement, without admitting or denying, which the Commission determined to accept.

Respondent Watson is a certified public accountant currently licensed as inactive in New Jersey and was a partner at the accounting firm Mitchell & Titus, LLP. Respondent Feldman is a certified public accountant licensed in New Jersey and is a manager with the above-mentioned firm.

Watson was the concurring review partner for the firm's audits of the financial statements of MERL HOLDINGS, INC., Hopewell, New Jersey, for its fiscal years ended December 31, 1997 and December 31, 1998. Feldman was the senior manager for those audits.

As engagement manager, Feldman was responsible for performing the audits in accordance with Generally Accepted Auditing Standards ("GAAS"). Watson was responsible for reviewing the work of the audit team to ensure that it complied with GAAS and that the audited financial statements were in conformance with Generally Accepted Accounting Principles ("GAAP").

The Securities and Exchange Commission alleges respondents engaged in improper professional conduct within the meaning of Rule 102(e) of the Commission's Rules of Practice by recklessly engaging in conduct that resulted in violations of professional standards and failed to follow applicable auditing standards in the areas of fixed and intangible assets and the consolidation of the subsidiary of MERL, Essex Industries. As a result MERL's 1997 and 1998 financial statements were materially false and misleading and the respondents failed to perform the audits in accordance with GAAS.

Respondents have accepted the following remedial sanctions from the Commission:

Watson and Feldman are denied the privilege of appearing or practicing before the Commission as accountants.

After ten (10) months, respondent Watson, and after six
____ 16 months, respondent Feldman, respectively, from the date of the _____
Commission's Order, November 18, 2002, may request reinstatement to _____
appear or practice before the Commission. Respondents must satisfy _____
the Commission that each respondent's work will be reviewed in a
manner acceptable to the Commission.

Respondents have appeared before a committee of the Board
of Accountancy on March 11, 2003 and having satisfied the Board
that they provided specific answers to the committee's inquiries
and as the respondents wish to resolve this administrative
proceeding, and the parties agreeing that the terms of this Order
are adequately protective of the public,

IT IS ON THIS DAY OF , 2003

HEREBY ORDERED AND AGREED:

1. Respondent Watson's privilege to reinstate his
license to an active status for the purpose of practicing
accountancy in the State of New Jersey is suspended for eighteen
(18) months.

2. Respondent Feldman's license to practice public
accountancy in the State of New Jersey is suspended for one (1)
year; however, all of said suspension is stayed provided she
refrains from working on any audit team in any jurisdiction during
that period.

3. Respondents shall complete the following continuing
professional education credits, none of which may be included for
the 2006 renewal satisfaction for credit hours.

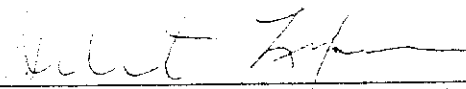
a. Twenty-four (24) hours in report preparation and financial disclosures;

b. The New Jersey Law and Ethics Course.

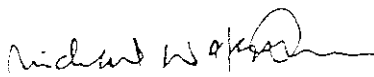
c. All course work must be successfully completed within one year from the entry of this Order. Requirement (b) may be used to satisfy the 2006 renewal ethics requirement.

4. Respondent Watson shall pay a civil penalty of \$3000.00 to the Board within thirty (30) days of the entry of this Order; respondent Feldman shall pay a civil penalty of \$1500.00 pursuant to the same terms.

NEW JERSEY STATE BOARD OF ACCOUNTANCY

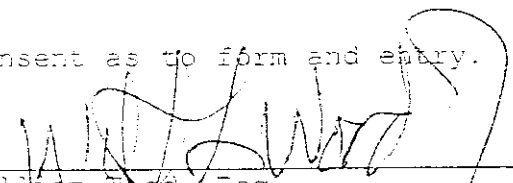
By: 
Herbert Lipman, CPA, President

I have read the within Order and understand its terms. I consent to its entry and agree to be bound by its terms.


Michael D. Watson, CPA


Sallie D. Feldman, CPA

Consent as to form and entry.


William Wood, Esq.
Counsel for Respondents